WASHINGTON POST
8 March 1985

ARTICLE APPEARED
ON PAGE B-2

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FEDERAL DIARY

Shelter Plan Shelved

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Sen. Ted Stevens (R-Alaska) has withdrawn his proposal to set up an alternative federal retirement plan in 1986 that would allow workers to set aside up to 10 percent of their salaries in tax-sheltered investment plans.

Stevens said yesterday that hearings on the plan—due to begin next week before his civil service subcommittee—have been postponed indefinitely because of opposition from federal workers and unions in his home state.

His surprise action leaves the door wide open for the White House to submit a much less generous retirement alternative for 300,000 civil servants who have been hired since January 1984.

Those employes are covered by Social Security, while previously hired civil servants are not. The newer employes pay the full 7.05 percent Social Security tax, and only a token (1.3 percent) payment to the civil service retirement plan. Congress has until the end of this year to establish a new retirement system for the new workers.

Unless Congress meets the deadline—or extends it—those who have been hired since the end of 1983 will have about 14 percent of their salaries deducted for Social Security and civil service retirement programs starting next year.

Employes hired before 1984 would continue to pay the full civil service retirement contribution plus 1.3 percent for Medicare coverage under Social Security.

Stevens' proposal would have put all feds hired since January 1984 in a retirement plan paying benefits at age 62 from Social Security, a modified form of civil service and any earnings they accumulated from the tax-deferred plan.

Workers under the current civil service system (and outside of Social Security) would have remained under it or, if they chose, could come into the new system.

Stevens' plan would have given them the option of sheltering up to 10 percent of their salary from federal taxes. He had proposed that the government put $2 into the accounts for every $1 that employes invested, up to 4 percent of salary. That portion of the plan would have been especially attractive to middle- and upper-income workers who could best afford it.

All money invested would have been returned, with interest, to workers who left government before being eligible to retire. Currently employes who leave government without retirement benefits get back only the money they put into the fund.

The Stevens bill was far from perfect in the eyes of federal and postal unions. Many felt that benefit levels depended too much on investments that employes would make, and that workers who didn't participate in the thrift plans would be worse off at retirement than under the current system.

They also objected to raising the age for retirement on full benefits to 62. Employes can now retire at 55 with 30 years' service on annuities equal to 56½ percent of their highest three-year salary, or about 53 percent of their final year's pay.

Stevens said he put his plan on hold because it did not get any support from workers or unions.

When informed yesterday that Stevens had withdrawn his bill, a Reagan administration official said, "I guess this leaves the field wide open for us."

The Office of Personnel Management has drafted a retirement plan to cover the post-1983 workers that must be approved by the White House. It is similar to the Stevens plan, though less generous in the area of tax shelters.

"But we may have to go back to the drawing board, now that Stevens has pulled out," an OPM official said yesterday.